



City of Loma Linda Official Report

Robert Ziprick, Chairman
Stan Brauer, Vice Chairman
Robert Christman, Board Member
Floyd Petersen, Board Member
Karen Hansberger, Board Member

CRA AGENDA: September 14, 2004

TO: Agency Board Members

VIA: Dennis R. Halloway, Executive Director *[Signature]*

FROM: Pamela Byrnes-O'Camb, Secretary *[Signature]*

SUBJECT: Modification to the First Time Homebuyers Program to provide up to 20 percent (formerly 10 percent) of the sales price of the house, but no more than \$40,000 (formerly \$20,000) to qualified applicants whose gross annual income does not exceed 80% of median area income based upon family size

RECOMMENDATION

It is recommended that the Agency Board approve the First Time Homebuyers Program as amended to provide for up to 20 percent of the sales price of the house, but no more than \$40,000.

BACKGROUND

The Agency Board has approved several programs related to its affordable housing obligations, one of which is the First Time Homebuyers Program. The Program has not been modified since 1997. The Program provides down payment assistance in the form of a silent second to qualified applicants whose income does not exceed 80 percent of County Median, based upon family size. The Program was used to assist first time homebuyers within the Parkside Homes and University Community Homes Projects. Assistance ranged from \$8,000 up to the maximum of \$20,000. The Program is also available to assist the Agency in sale of dwellings it has purchased for re-sale, and provides assistance to those who, without Agency assistance, could not afford to purchase a home.

ANALYSIS

Adjustment in the amount of assistance is proposed to respond to the increased cost of housing, in that the average cost of housing is greater than 30 percent over last year, thus limiting even more the housing opportunities for those whose income is 80 percent or below of County Median Income adjusted for family size.

ENVIRONMENTAL

Not applicable.

FINANCIAL IMPACT

Funding is included in the overall Housing Program in the 2004-2005 fiscal year budget.

LOMA LINDA REDEVELOPMENT AGENCY FIRST TIME HOMEBUYERS PROGRAM

Funds provided under the Program will be used to expand the availability of affordable ownership housing for lower income families.

The First Time Homebuyers Program (FTHB) is designed to make home ownership a reality for low-income Loma Linda residents. With funds from Redevelopment sources and working in partnership with local lenders, the Program will help make home ownership a reality for low income residents who might not otherwise qualify.

The Agency will take applications from pre-qualified buyers. FTHB will offer a loan for down payment and closing costs and provide a course of action for the primary financing and purchase that first home. The provisions can be overwhelming, especially to the inexperienced first-time buyer. FTHB will assist with each phase to ensure a successful and timely completion of the home purchase process.

Silent Second Mortgage

All loans provided by the Agency to assist in the First Time Homebuyers Program will be secured by a recorded deed of trust on the real property that is to be purchased.

The Silent Second Mortgage:

- Interest of 5% accumulates first five (5) years; principal and interest payments begin year six (6) for 25 years.
- May be ASSUMABLE by an equally qualified buyer within income limits.
- Shall NOT exceed \$40,000 but not more than 20% of the sales price of the house.
- Shall be junior to a first mortgage not exceeding 90% LOAN TO VALUE as determined by the primary lender's appraisal.
- SUBORDINATION SHALL BE ALLOWED for an amount not to exceed the then current loan balance secured by a first mortgage.

Property Standards and Affordability Covenant

Conditions and restrictions on maintenance, ownership and related issues will be part of the required documentation of this Program.

Property Value

The appraised value of the home cannot exceed Program Guidelines linked to a percentage of gross income of the purchaser.

Resale Restrictions

1. The total amount of the silent second plus accrued interest becomes due and payable at the time of sale or transfer of ownership if not assumed by an income-qualified buyer.
2. The seller is restricted by long-term affordability covenants to an income-qualified buyer.
3. The silent second may be assumable, but if not, all proceeds from the payoff roll over into the Agency's Housing Fund that will be used to assist other FTHB applicants with the purchase of their first home.

Pre-Qualifying

An application for the First Time Homebuyers Program will be taken when the potential buyer meets the following basic program applications requirements.

Preference will be given to qualified applicants whose gross income does not exceed 80% of median area income based on family size.

Applicant has not been a homeowner in the last three (3) continuous years.

Applicant has evidence that a minimum of \$3,000 is presently available to purchase a home. This amount may be as low as \$1,000 in specific cases.

Applicant must have a positive credit profile to qualify for a mortgage with a private lending institution.

Applicant must occupy the property as a principal residence.

All of the following documentation will be required prior to an application being taken:

Copy of last year's tax return and current pay stub(s) and/or current copy of Social Security award letter or copy of award letter from financial aid, disability benefits or other evidence of income for the previous 12 months for all applicants.

Address(es), landlord name(s), and phone number(s) for the immediate past three years. Copies of lease agreements, rental agreements or other evidence of local tenancy.

Name, address, account number where minimum \$3,000.00 or the approved amount is posted. Bank statements or other evidence of deposit showing the funds are available for immediate use.

For more information on Pre-Qualifications and information, telephone (909) 799-2819.